

LEGISLATIVE HISTORY CHECKLIST
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("Micro-Business Assistance Program")

NJSA: 34:1B-70

LAWS OF: 1995 **CHAPTER:** 206

BILL NO: A14

SPONSOR(S): Roma

DATE INTRODUCED: December 15, 1994

COMMITTEE: **ASSEMBLY** Economic Development
SENATE: ---

AMENDED DURING PASSAGE: Yes Amendments during passage
Second reprint enacted denoted by superscript numbers

DATE OF PASSAGE: **ASSEMBLY:** May 1, 1995
SENATE: June 12, 1995

DATE OF APPROVAL: August 14, 1995

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes
SENATE: No

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

REPORTS: Yes

HEARINGS: Yes

974.90 New Jersey. Legislature. Assembly Task Force on Business
E19 Retention & Expansion.
1994a A new tide of change: blueprint for growth. August 15, 1994.
Trenton, 1994.
[see especially pp.47-49; 86]

974.90 New Jersey. Legislature. Assembly Task Force On Business
E19 Retention & Expansion.
1994e Meetings held 3-29-94, 5-18-94 & 6-14-94, Warren & Trenton,
NJ, 1994.

See newspaper clippings--attached:
"Whitman signs bills to help businesses," 8-15-95, Asbury Park Press.
"Whitman touts export drive," 8-15-95, Asbury Park Press.

974.90 New Jersey. Legislature. Assembly. Task Force On Business
E19 Retention & Expansion.
1994b A new tide of change: blueprint for growth. August, 1995.
[see: Recommendation 16]

[SECOND REPRINT]

ASSEMBLY, No. 14

STATE OF NEW JERSEY

INTRODUCED DECEMBER 15, 1994

By Assemblymen ROMA. GEIST, Felice, Gibson and Asselta

1 AN ACT promoting micro-business development and
2 supplementing P.L.1974, c.80 (C.34:1B-1 et seq.).

3

4 BE IT ENACTED *by the Senate and General Assembly of the*
5 *State of New Jersey:*

6 1. This act shall be known and may be cited as the
7 "Micro-Business Development and Assistance Act."

8 2. The Legislature finds and declares that:

9 a. Approximately 98% of New Jersey's employers are small
10 business operators and more ¹than¹ 1.5 million employees are
11 working in small businesses in this State²[.];²

12 b. Testimony taken at legislative hearings revealed that
13 between 1987 and 1992, corporate down-sizing created a sizeable
14 group of displaced and dislocated private sector workers. 12 to
15 14% of whom have undertaken self-employment opportunities,
16 with the balance remaining underemployed or unemployed²[.];²

17 c. While the New Jersey Development Authority for Small
18 Businesses, Minorities' and Women's Enterprises has a peer group
19 micro-lending program in place which targets certain
20 geographical regions of the State, it is imperative that we find
21 new and innovative ways to help unemployed and underemployed
22 individuals throughout the entire State to re-enter the
23 marketplace²[.]; and²

24 d. Experience in numerous other states and in certain urban
25 areas in New Jersey has shown that "microlending," or carefully
26 underwriting small loans to individual entrepreneurs with
27 well-developed, realistic business plans, has been successful in
28 helping individuals, without regard to geographical location, to
29 start, maintain and expand small businesses.

30 3. As used in this act:

31 "Certified micro-business development corporation" means a
32 micro-business development corporation certified pursuant to
33 section 7 of this act²[.];²

34 "Commissioner" means the Commissioner of Commerce and
35 Economic Development²[.];²

36 "Department" means the Department of Commerce and
37 Economic Development²[.];²

38 "Development loan" means money loaned to a certified
39 micro-business development corporation by the authority for the
40 purpose of making a micro-business loan pursuant to section 6 of
41 this act²[.];²

42 "Micro-business development corporation" means a nonprofit

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AEA committee amendments adopted March 9, 1995.

² Senate floor amendments adopted May 25, 1995.

1 corporation established ¹prior to or after the effective date of
2 this act, and¹ pursuant to Title 15 of the Revised Statutes, Title
3 15A of the New Jersey Statutes, or other law of this State to
4 provide training, technical assistance, and access to capital for
5 the startup or expansion of qualified micro-businesses²[.];²

6 "Micro-business loan" means a loan made from or guaranteed
7 by a revolving loan fund contributed to by the micro-business
8 assistance program²[.];²

9 "Program" means the micro-business assistance program
10 established pursuant to section 4 of this act²[.]; and²

11 "Qualified micro-business" means a business enterprise, which
12 has its principal place of business in this State, is independently
13 owned and operated as a sole proprietorship, partnership or
14 corporation, with 20 or fewer employees in full-time positions
15 and with a level of gross income from operations defined by the
16 authority as a micro-business.

17 4. a. There is created, in the ¹[authority] New Jersey
18 Economic Development Authority¹, a "New Jersey
19 Micro-Business Assistance Program²[.]"² hereinafter, "the
20 program." The program shall be established by the ¹[New Jersey
21 Economic Development Authority] authority¹ in collaboration
22 with the department ¹[and the New Jersey Small Business
23 Development Center Program, which shall make their services
24 available to the program]¹. The program shall consist of loans,
25 loan guarantees, or both, and training ¹[.] and¹ technical
26 assistance ¹[and other export-related assistance]¹ which shall be
27 provided to qualified micro-businesses through a network of
28 regional micro-business development corporations.

29 b. To implement the program, the authority shall ¹[establish]
30 to the greatest extent feasible, cooperate with¹
31 micro-business development corporations ²[¹, established prior to
32 or subsequent to the effective date of this act,¹]² in no less than
33 three service regions of the State consisting of one or more
34 counties ¹[and shall, to the extent feasible, to seek] in seeking¹
35 to involve the resources of local banks and financial institutions
36 in order to leverage dollars available for the program. The
37 service regions shall be determined by the authority on the basis
38 of: comparative unemployment or underemployment; an economic
39 environment conducive to the establishment or expansion of
40 businesses built around qualified micro-businesses; the need for
41 assistance in maintaining, rehabilitating or refurbishing
42 micro-businesses where such activity will protect or enhance a
43 small-business economy; and the level of anticipated financial
44 and other participation of county economic development
45 agencies, municipal economic development agencies or business
46 organizations, and county or municipal educational and nonprofit
47 organizations.

48 c. In designing and implementing the program, the authority
49 ¹[shall] is authorized to¹ enter into agreements with county and
50 municipal agencies, and local business, educational and
51 ¹[non-profit] nonprofit¹ organizations, in order to leverage its
52 development loans with funds from such entities. Such
53 agreements may also require participation from the county and
54 municipal level where training and technical assistance, and other

1 self-employment services are concerned. The terms and
2 conditions of all loans and loan guarantees provided by the
3 authority shall be determined by the authority.

4 5. a. To implement the program, the authority shall establish
5 and maintain a special²[.]² ¹[non-lapsing,]¹ revolving fund to be
6 known as the "New Jersey Micro-Business Assistance Fund,"
7 hereinafter, "the assistance fund." ¹[into which shall be deposited
8 moneys to be used by the authority for the purposes specified in
9 section 6 of this act. Moneys deposited into the assistance fund
10 shall include, but not be limited to:] which shall be credited
11 with:¹

12 (1) such moneys from the economic growth account of the
13 "Economic Recovery Fund" established pursuant to section 4 of
14 P.L.1992, c.16 (C.34:1B-7.13), ¹[as may be available and]¹ which
15 the authority ¹[deems appropriate for the purposes of this act]
16 determines are necessary to effectively implement the program,
17 within the limits of funding available from the Economic
18 Recovery Fund, based upon the response to the program by
19 micro-business development corporations¹; (2) any moneys that
20 shall be received by the authority from the repayment of the
21 moneys in the assistance fund used to provide micro-business
22 development loans ¹pursuant to this act¹ and interest thereon;
23 (3) moneys as may be available to the authority from business
24 assistance programs administered by ¹the authority or by¹ other
25 State agencies or authorities including, but not limited to, the
26 New Jersey Development Authority for Small Businesses,
27 Minorities' and Women's Enterprises established pursuant to
28 P.L.1985, c.386 (C.34:1B-47 et seq.), the New Jersey Urban
29 Development Corporation established pursuant to P.L.1985, c.227
30 (C.55:19-1 et seq.)¹[and],¹ the department ¹or administered by
31 federal agencies or by private sector foundations¹ ; (4)
32 appropriations made by the Legislature to effectuate the
33 purposes of this act; (5) fees collected from applicants pursuant
34 to subsection c. of this section; and (6) other moneys made
35 available including, but not limited to, funds provided by
36 agreement with private investors, small business investment
37 corporations, banks and other lending institutions to effectuate
38 the purposes of this act.

39 b. Moneys in the assistance fund which are determined by the
40 authority not to be needed for current responsibilities of the
41 assistance fund, may be invested by the authority in any direct
42 obligations as to which the principal and interest thereof are
43 guaranteed by the United States of America or any other
44 obligation deemed appropriate by the authority. The authority
45 may appoint a director to manage the activities associated with
46 the assistance fund. The director shall receive compensation as
47 determined by the authority.

48 c. The authority may charge fees in connection with
49 applications for financial assistance from the assistance fund as
50 it deems reasonable.

51 6. a. The authority shall use the moneys in the assistance fund
52 established pursuant to section 5 of this act to make development
53 loans to micro-business development corporations certified by
54 the authority to participate in the program. Moneys received

1 from micro-business development corporations¹ in repayment of
2 a development loan shall be deposited in the assistance fund. The
3 authority may make development loans from the assistance fund
4 in amounts not to exceed \$250,000 per loan to a certified
5 micro-business development corporation.

6 b. In determining the criteria for making development loans,
7 the authority shall in addition to applying its customary
8 underwriting criteria, also¹ consider:

9 (1) the plan for providing services to qualified
10 micro-businesses;

11 (2) the scope of services to be provided by the certified
12 micro-business development corporation;

13 (3) the geographic representation of all regions of the State,
14 including both urban and rural municipalities;

15 (4) the plan for providing service to minorities, women and
16 low-income persons;

17 (5) the ability of the corporation to provide business training
18 and technical assistance to qualified micro-business clients;

19 (6) the ability of the corporation, with its plan, to monitor and
20 provide financial oversight of recipients of micro-business loans,
21 to administer a revolving loan fund, and to investigate and qualify
22 financing proposals and to service credit accounts;

23 (7) sources and sufficiency of operating funds for the certified
24 micro-business development corporations; and

25 (8) the intent of the corporation, with its plan and written
26 indications of local institutional support, to provide services to
27 the service region within which it is located.

28 c. Development loan funds may be used by a certified
29 micro-business development corporation to:

30 (1) satisfy matching requirements for other State, federal, or
31 private funding only if funding is intended and used for the
32 purpose of providing or enhancing the certified micro-business
33 development corporation's ability to provide and administer
34 loans, technical assistance, or management-training to qualified
35 micro-businesses;

36 (2) establish a revolving loan fund from which the certified
37 micro-business development corporation may make loans to
38 qualified micro-businesses, provided that a single loan does not
39 exceed \$50,000 and the outstanding balance of all loans to a
40 qualified micro-business or a project participated in by more than
41 one qualified micro-business or to two or more qualified
42 micro-businesses in which any one person holds more than a 20%
43 equity share does not exceed \$50,000; and

44 (3) establish a guarantee fund from which the certified
45 micro-business development corporation may guarantee loans
46 made by financial institutions to qualified micro-businesses.
47 However, a single guarantee may not exceed \$50,000, and the
48 aggregate of all guarantees to a qualified micro-business or a
49 project participated in by more than one qualified micro-business
50 or to two or more qualified micro-businesses in which any one
51 person holds more than a 20% equity share may not exceed
52 \$50,000.

53 d. Development loan funds may not be:

54 (1) loaned for relending or investment in stocks, bonds, or

1 other securities or for property not intended for use in production
2 by the recipient of the loan; or

3 (2) used to refinance a nonperforming loan held by a financial
4 institution or to pay the operating costs of a certified
5 micro-business development corporation. However, interest
6 income earned from the proceeds of a development loan may be
7 used to pay operating expenses.

8 e. Certified micro-business development corporations are
9 required to contribute cash from other sources to leverage and
10 secure development loans from the program. Contributions
11 provided by the corporation must be in a ratio of at least \$1 from
12 other sources for each ¹[\$6] ¹\$3¹ from the program. These
13 contributions may come from a public or private source other
14 than the program and may be in the form of equity capital, loans,
15 or grants.

16 f. Development loans shall be made pursuant to a development
17 loan agreement and may be amortization or term loans, bear
18 interest at less than the market rate, be renewable, be callable,
19 and contain other terms and conditions considered appropriate by
20 the authority that are consistent with the purposes of ¹this act¹
21 and with rules and regulations promulgated by the authority to
22 implement this act.

23 g. (1) Unless subject to federal law, rule or regulation, each
24 certified micro-business development corporation that receives a
25 development loan under this act shall undergo an audit, at its own
26 expense, at least once every two years. The authority shall
27 designate an auditor to conduct the audit.

28 (2) If an audit is performed under a requirement of federal
29 law, rule or regulation, the department shall waive the audit
30 required in this subsection with respect to all issues addressed by
31 the federal audit report. However, the authority may require an
32 audit of matters that are not, in the authority's judgment,
33 addressed by the federal report including, but not limited to,
34 verification of compliance with requirements specific to the
35 program, such as job-generation standards and reporting.

36 h. A certified micro-business development corporation that is
37 in default for nonperformance under rules and regulations
38 established by the authority may be required to refund the
39 outstanding balance of development loans awarded prior to the
40 default declaration. A development loan is secured by a first lien
41 on the receivables of the corporation receiving the loan.

42 7. The authority may certify a micro-business development
43 corporation when it determines that the corporation:

44 a. has developed a viable plan for providing training, access to
45 financing, and technical assistance for qualified micro-businesses;

46 b. has broad-based community support in a designated service
47 region of the State, as reflected, for example, by the membership
48 of its board of directors, and has demonstrated support from
49 other regional entities to provide assistance with service delivery
50 and financial aspects; and

51 c. has an adequate source of operating capital.

52 8. a. The authority shall have, in addition to the powers
53 enumerated in section 5 of P.L.1974, c.80 (C.34:1B-5), the power
54 to enter into written agreements, including limited partnership

1 agreements, with one or more professional investors or small
2 business investment corporations or with one or more State
3 agencies or authorities for the purposes of establishing a pool of
4 moneys to be deposited in the assistance fund and to provide
5 moneys, to be used exclusively for development loans to
6 micro-business development corporations. The pooled moneys
7 provided by the authority from the assistance fund shall be fixed
8 at an interest rate to be determined by the authority and shall be
9 for a term not exceeding one year.

10 b. The authority may also accept grants, donations, and other
11 private and public income, including payments of interest on
12 loans made by the authority.

13 c. The authority shall deposit all moneys received under this
14 section in the assistance fund established pursuant to section 5 of
15 this act.

16 9. In addition to the duties of the authority required under
17 section 7 of P.L. ¹[1970] 1974¹, c.80 (C.34:1B-7), the authority
18 shall, in conjunction with certified development corporations and
19 the department, prepare a report within two years following the
20 effective date of this act, and not later than September 15 of
21 each third year thereafter. The report shall include, but not be
22 limited to, a description of the demand for the program from
23 qualified micro-businesses, types of businesses the fund has
24 assisted, the efforts made by the authority and the development
25 corporations to promote the program and to establish a pool of
26 funds from private and public sources, the total amount of loans
27 or lines of credit issued by the authority or the development
28 corporations, as appropriate, from the assistance fund or the
29 revolving lines of credit, as the case may be, and an assessment
30 of the effectiveness of the program in meeting the goals of this
31 act. The authority shall submit its reports to the Governor and
32 the Legislature, along with any recommendations for legislation
33 to improve the effectiveness of the program.

34 10. The authority and the department shall jointly adopt,
35 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
36 (C.52:14B-1 et seq.), rules and regulations as may be necessary to
37 effectuate the purposes of this act including, but not limited to,
38 the criteria and procedures concerning certification of
39 micro-business development corporations, the criteria and
40 procedures for selecting from competing development loan
41 applications and for awarding development loans to certified
42 micro-business development corporations, criteria and procedures
43 to be followed by certified micro-business development
44 corporations in administering revolving loan funds supported by
45 the program, criteria for determining the terms and conditions of
46 development loans and loan repayments, and criteria for
47 determining nonperformance and declaring default in the
48 administration of development loans.

49 11. This act shall take effect on the 180th day following
50 enactment.

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55 Establishes a micro-business assistance program within EDA.

1 each third year thereafter. The report shall include, but not be
2 limited to, a description of the demand for the program from
3 qualified micro-businesses, types of businesses the fund has
4 assisted, the efforts made by the authority and the development
5 corporations to promote the program and to establish a pool of
6 funds from private and public sources, the total amount of loans
7 or lines of credit issued by the authority or the development
8 corporations, as appropriate, from the assistance fund or the
9 revolving lines of credit, as the case may be, and an assessment
10 of the effectiveness of the program in meeting the goals of this
11 act. The authority shall submit its reports to the Governor and
12 the Legislature, along with any recommendations for legislation
13 to improve the effectiveness of the program.

14 10. The authority and the department shall jointly adopt,
15 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
16 (C.52:14B-1 et seq.), rules and regulations as may be necessary to
17 effectuate the purposes of this act including, but not limited to,
18 the criteria and procedures concerning certification of
19 micro-business development corporations, the criteria and
20 procedures for selecting from competing development loan
21 applications and for awarding development loans to certified
22 micro-business development corporations, criteria and procedures
23 to be followed by certified micro-business development
24 corporations in administering revolving loan funds supported by
25 the program, criteria for determining the terms and conditions of
26 development loans and loan repayments, and criteria for
27 determining nonperformance and declaring default in the
28 administration of development loans.

29 11. This act shall take effect on the 180th day following
30 enactment.

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STATEMENT

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35 This bill establishes the "New Jersey Micro-Business
36 Assistance Program" within the New Jersey Economic
37 Development Authority in order to provide financial, technical
38 and training assistance through a network of regional
39 micro-business development corporations.

40 The bill directs the authority to establish non-profit
41 micro-business development corporations in at least three
42 different regions of the State. The authority shall provide
43 development loans in amounts not exceeding \$250,000 per loan to
44 the development corporations, which may use the development
45 loan funds to: (1) satisfy matching requirements for other State,
46 federal or private funding to further the purposes of the
47 corporation; (2) establish a revolving loan fund to provide loans to
48 qualified micro-businesses in amounts up to \$50,000 per loan; and
49 (3) establish a guarantee fund to guarantee loans from financial
50 institutions to qualified micro-businesses.

51 The bill also authorizes the authority to enter into contracts
52 with private sector investors, small business investment
53 corporations, banks and other lending institutions and with State
54 agencies or authorities, to establish a pool of moneys to be used

1 for making development loans from the "New Jersey
2 Micro-Business Assistance Fund " established in section 5 of the
3 bill.

4 The bill requires the authority, in conjunction with certified
5 development corporations and the Department of Commerce and
6 Economic Development, to report on the effectiveness of the
7 program and to recommend legislation which may improve the
8 effectiveness of the program.

9 The program created by this bill is based on a recommendation
10 of the Assembly Task Force on Business Retention, Expansion and
11 Export Opportunities and is based on the program experiences in
12 other states.

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17 Establishes a micro-business assistance program within EDA.

ASSEMBLY ECONOMIC DEVELOPMENT, AGRICULTURE, AND
MILITARY AND VETERANS' AFFAIRS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 14

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 28, 1995

The Assembly Economic Development, Agriculture, and Military and Veterans' Affairs Committee reports favorably Assembly Bill No. 14, with committee amendments.

As amended, this bill authorizes the New Jersey Economic Development Authority to establish the "New Jersey Micro-Business Assistance Program" in order to provide financial, technical and training assistance through a network of regional micro-business development corporations, established prior to or after the effective date of the bill.

As amended, the bill authorizes the authority to work together with nonprofit micro-business development corporations in at least three different regions of the State. The authority is authorized to provide development loans in amounts not exceeding \$250,000 per loan to the development corporations, which may use the development loan funds to: (1) satisfy matching requirements for other State, federal or private funding to further the purposes of the corporation; (2) establish a revolving loan fund to provide loans to qualified micro-businesses in amounts up to \$50,000 per loan; and (3) establish a guarantee fund to guarantee loans from financial institutions to qualified micro-businesses.

The bill requires the certified micro-business development corporations to leverage funds from other sources to secure development loans from the program in a ratio of at least \$1 from other sources for each \$3 from the program.

The bill also authorizes the authority to enter into contracts with private sector investors, small business investment corporations, banks and other lending institutions and with State agencies or authorities, to establish a pool of moneys to be used for making development loans from the "New Jersey Micro-Business Assistance Fund" established in section 5 of the bill.

The bill requires the authority, in conjunction with certified development corporations and the Department of Commerce and Economic Development, to report on the effectiveness of the program and to recommend legislation which may improve the effectiveness of the program.

The program created by this bill is based on a recommendation of the Assembly Task Force on Business Retention, Expansion and Export Opportunities and is based on the program experiences in other states.

The committee adopted amendments requiring the authority to work together with micro-business development corporations established prior to or after the effective date of the bill rather than to establish the corporations. The amendments also permit the

authority to establish funding for the program in response to the program and to expand the possible sources of funding for the program to include business assistance programs administered by federal agencies and by private sector foundations.

The committee amendments also clarify that the criteria set forth in the bill to be used by the authority for evaluating applications for loans shall supplement the authority's normal underwriting criteria.

974.901
G.61



OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001

Contact: BECKY TAYLOR
777-2600

TRENTON, N.J. 08625
Release: MONDAY,
AUGUST 14, 1995

Gov. Christie Whitman today signed six business empowerment bills that will provide opportunities to strengthen New Jersey's business climate by making government agencies more responsive and more accessible to local businesses through programs implemented by the Department of Commerce and Economic Development and the Economic Development Authority.

The bills implement recommendations of the Assembly Task Force on Business Retention, Expansion and Export Opportunities. This bipartisan task force was chaired by Assemblyman Joseph Azzolina (R-Middlesex/Monmouth) and included New Jersey business executives from diverse industries, members of the academic community and other representatives from the private and public sectors.

"These bills help us keep New Jersey open for business," said Gov. Whitman. "They will help empower business in our state to expand, grow and succeed."

A12, sponsored by Assemblyman Azzolina and Assemblywoman Maureen Ogden (R-Essex/Union), establishes a public-private regional field office pilot program to promote business retention, attraction and expansion. The pilot will serve as a model for a permanent network of regional field offices, which would work with the Department of Commerce to monitor businesses on the local level and to develop customized "incentive packages" to improve the state's overall business climate.

The Governor line-item vetoed a \$75,000 appropriation from the bill because the program can be implemented using existing department resources, supplemented by the private sector.

A14/S1775, sponsored by Assemblyman Patrick J. Roma (R-Bergen) and George F. Geist (R-Camden/Gloucester) and Senator John P. Scott (R-Bergen/Essex/Passaic), directs the EDA to establish the "New Jersey Micro-Business Assistance Program" to provide financial, technical and training assistance to qualified small businesses.

A17, sponsored by Assemblyman Geist and Leroy J. Jones Jr. (D-Essex), creates industry sector networks to address industry related problems.

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